

**PRELIMINARY
MINUTES**

KANSAS ELECTRIC TRANSMISSION AUTHORITY

November 7, 2008
Room 545-N—Statehouse

Members Present

Representative Carl Holmes, Chairperson
Earnie Lehman, Vice-Chairperson
Tim McKee, Secretary
Senator Jay Emler
Les Evans
Representative Annie Kuether
Senator Janis Lee

Staff Present

Cindy Lash, Kansas Legislative Research Department

Chairperson Holmes called the meeting to order at 10:10 a.m.

The Chairperson proposed the following additions to the tentative agenda:

- Discussion on reduction in the budget;
- Response to the Department of Administration on the Kansas Electric Transmission Authority (KETA) budget request; and
- An offer for services received from Contract Land Staff.

The revised agenda was approved with the additional items.

The Chairperson asked for correction and approval of the September minutes. *Mr. Evans made , and Mr. McKee seconded, a motion to approve the minutes as corrected. The motion passed.*

The Chairperson asked for a report on fiscal year 2009 expenditures. Cindy Lash presented the information, through September 30, 2008 (Attachment 1). Ms. Lash noted the column headed *FY 2009 Revised* reflects the two percent cut in the operating budget agreed to by the Board.

The Chairperson noted the State's budget shortfall is currently anticipated to be about \$180 million for FY 2009, and \$984 million for FY 2010. The Board discussed the likelihood

of additional requests for budget cuts. *Senator Emler made, and Representative Kuether seconded, a motion to cut the operating budget by an additional one percent for the current fiscal year. The motion passed.* Members discussed ways to further demonstrate the Authority's intent to be fully cooperative in responding to the State budget crisis. Suggestions included scheduling a meeting immediately before the start of the session, and noting in the letter to the Governor regarding the additional one percent cut that KETA is looking to the future and will be ready to take appropriate action as necessary.

The Chairperson noted the correspondence from Budget Director Goossen on the Authority's revised budget request. He further asked that the correspondence from Contract Land Staff offering services be made a part of the Authority's files.

Larry Holloway, Kansas Corporation Commission (KCC), discussed the staff memorandum with recommendations regarding Westar and ITC Great Plains (ITC) dockets, which was filed October 2, 2008 (Attachment 2). He said staff found no other instances where entities competed to build the same transmission line. The staff recommendations for resolving the issues proposes a two-phase approach, as follows:

Phase 1 has two parts, which could run concurrently:

- Phase 1a resolves the issues of Prairie Wind Transmission's application for a limited certificate; and
- Phase 1b resolves the issues of consolidating ITC's multiple dockets.

Phase 2, which would begin once Phase 1 was resolved, would determine who would receive the amended certificate for the proposed Wichita-to-Spearville transmission line, and the right to seek approval from the Southwest Power Pool (SPP) for regional need and funding of the project.

Mr. Holloway discussed the detailed, recommended schedule in the staff report. In response to a question, he indicated that the start date for Phase 1 would be when the Commission issues a discovery order. He said the intent is for Commission orders on Phase 1a and 1b to come out about the same time, which would set the Commission up for resolving Phase 2.

Mr. Lehman clarified with Mr. Holloway the time frame for Phase 1b to be about 180 days.

The Board discussed its frustration with the amount of time the KCC process is taking, noting that Kansas has projects that need to be built. In response to questions, Mr. Holloway said, barring court action, the shortest time for the Commissioners to reach a final decision would be about 10 months; the longest would be about 12 months. The clock would begin running in a week or so when the Commission issues a procedural order. He agreed it would be at least December 2009 before this is resolved, unless there is a settlement between the parties.

Board members expressed their concern with the timing. Chairperson Holmes noted it takes 30 - 48 months to complete a transmission line, which would make it 2012 - 2014 before Kansas would have lines completed. There is a strong possibility of a national Renewable Portfolio Standard (RPS) in the next year or so, which Kansas will not be positioned to take advantage of without additional transmission. The KCC time frames need to be shortened considerably, because the wind energy available in Kansas cannot be exported until decent lines are constructed. The Chairperson said Oklahoma is moving forward aggressively to get 765KV lines constructed in 2010. Kansas will be hurt unless the process can be shortened.

Board members discussed various options for more formally expressing their concerns about the delays in constructing transmission lines. They considered such actions as intervening in the docket, establishing a statutory clock for Commission decisions, writing a letter to Westar and ITC, and writing a letter to the Commissioners.

Frustration also was expressed with the SPP process. Mr. Holloway said he and Commissioner Moffet continue to push for action at the SPP. He noted there is a growing consensus that a 765KV system needs to be regionally supported, but there is currently no tariff to do that.

Chairperson Holmes stated Commissioner Moffet was recently elected vice-chairperson of the Regional State Committee (RSC), and noted the chairperson of SPP has been very complimentary of Mr. Holloway's work on the Cost Allocation Working Group (CAWG).

Mr. Holloway presented a CAWG update (Attachment 3). He said the group meets monthly. They are moving away from scenario analysis, and are assessing multiple strategies to predict how much flexibility and how much protection exists if different futures develop. He discussed the proposed 2-loop extra-high voltage (EHV) collector system in western Kansas, and noted that wind farms would probably connect to a 345KV subcollector system that would deliver to points on the 765KV line. He said Portfolio 3A looks like the most advantageous economic upgrade portfolio. Under that portfolio, part of the system would remain at 345 KV (for example, Knoll-to-Axtell, Wichita-to-Summitt, and Tolk-to-Potter). SPP is looking at various designs for collector systems, so the plans will continue to change.

In response to questions, Mr. Holloway said CAWG has a new task force on wind integration that will look at operational stability and how to bring wind onto the system. The group also will look at where gas backup for wind would need to be located.

The Chairperson discussed several of Mr. Holloway's slides showing transmission lines in Oklahoma. He said there are two big collector systems being put together, one in Moreland and one at Hitchland; the two of them together will take up almost all the capacity the 765KV line going through Kansas will have. It is important the cost allocation for this is

done right; otherwise Kansans will end up paying for transmission that benefits Texas and Oklahoma.

The Chairperson stated the original KETA legislation was modeled on Wyoming, but Wyoming did not have a regional transmission organization (RTO). In the KETA legislation, they made everything subject to SPP to make sure they did not mess up the system. He suggested the Board consider the option of modifying the legislation to allow for KETA to fee-fund a project. Mr. Evans noted that although KETA does not need SPP approval to proceed with a fee-funded project, KETA would have to mitigate any impacts on the system.

Noman Williams provided an update on the Transmission Working Group (TWG) for Subregion 2 (Kansas and western Missouri). He said there is a good-sized load developing in Kansas, including the Trans-Canada pipeline, the Excel line going down into Texas, as well as the Keystone line going to Indiana. Much of the load growth will be in the Westar service area, but some will be in the Kansas Electric Power Corporation (KEPCO) service area. As a result, a reliability project that had been identified to connect Clay Center with Greenleaf has been cancelled (115 KV line) because additional transmission capability will be built in Nebraska to handle the load growth. To give one an idea of the load magnitude on the Trans-Canada line, the load from Nebraska and south on that pipeline is about 500 MW. The Chairperson noted that when the pipeline is done, six percent of US oil supply will pass through Kansas.

TWG reviewed the Nebraska Public Power District migration to SPP (which is on target for April 1, 2009) including the impact of their projects that would be funded in the SPP footprint. The eastern Nebraska transmission project is about a \$180 million project which will be considered for baseline funding. TWG also is involved with the Joint Coordinated System Plan. This involves most of the regions in the eastern interconnect in a large EHV planning study, looking at a 2017 system now, building that to 2024 transmission system.

Carl Huslig, ITC, provided an update on the KETA project (Attachment 4). They are moving forward with the planning and design for a 765KV line, although they will build it at the voltage SPP directs. He described the activities they have undertaken to date. He said they are waiting on the economic study from Vintix, but hope to be able to share the results in December. Regarding SPP and the balanced portfolio, he is optimistic Portfolio 3A will be approved in January. In response to a question about how the financial events of this fall might affect ITC's ability to access the credit markets, debt equity, and how it might impact budget and schedules, Mr. Huslig said ITC solicited ability to finance from three large banks and all said, based on the ITC business model, they saw no reason to not finance. So he would expect no impact on their schedule.

The Board changed focus briefly to allow Mr. McKee to report on a possible meeting of state infrastructure authorities. He suggested the Board consider whether they want to consider hosting a meeting in Kansas City, possibly in April. Regarding his charge from the Authority to look into some type of monitoring service for KETA, he learned that Wyoming

has its own lobbyist; other officials are not aware of any news services. The Working group for Investment in Reliable and Economic Electric System (WIRES) was suggested. WIRES, a non-profit group for the electric transmission owner customers, recently issued a report on integrating locally constrained resources into transmission systems. Mr. McKee requested a copy be distributed to all members.

Regarding an April meeting, the Chairperson noted that it might be difficult to schedule between the end of the session and the start of the veto session.

Mr. Huslig returned, with Noman Williams, to talk about the Kansas "V" project. He provided a history of ITC's involvement, and said they have been working through the SPP STEP process. Attachment 4 contains a chronology of their efforts. Noman Williams discussed the collaborative process.

Kelly Harrison of Westar provided an update on transmission projects. The Wichita-Hutchinson-Salina line will be finished around Thanksgiving. Then they will move north for several rebuild projects. Mr. Harrison described several other rebuild projects in southeast Kansas. Mr. Evans asked how the financial markets will affect their schedule for 2009 and 2010. Mr. Harrison said they are finishing up construction on many projects, but available debt is very expensive, which would present a burden on their customers. In addition, they have lost a lot of load due to the closing of Tyson, a cement plant, and ethanol plants, and do not want to get ahead of the load.

Lisa Burton and John Stough of American Electric Power (AEP) discussed the makeup and interests of Electric Transmission America (ETA), the company partnering with Westar on Prairie Wind Transmission (Attachment 5). Mr. Evans asked for a definition of the Prairie Wind project. Mr. Stough said it is a 230 mile project from Wichita to Medicine Lodge, then out to western Kansas. It also goes down to the Oklahoma border. They also have partnered with Oklahoma Gas and Electric for a 170 mile stretch from the Kansas-Oklahoma border to the Woodward station, then northwest into the Oklahoma panhandle and Texas. He described the cost benefit study they commissioned on the two projects, and noted that 765 KV line has far less line loss than 345KV. Mr. Evans asked if AEP agrees that, electrically, its plan is identical to the ITC plan? Mr. Stough said their plan was proposed at 765KV, so it was not electrically identical. Members had extensive questions for AEP about its project.

The Board began review and discussion of the KETA Business Plan. Mr. Lehman said the subcommittee on right-of-way expansion had not met yet. Mike Corrigan, Kansas Revisor of Statutes Office, presented a report on community wind statutes developed by Melissa Doeblin (Attachment 6). The report notes there is no definition for community wind in Kansas law, and there is no specific legislation in Kansas affecting community wind projects. The Chairperson said community wind is not really a KETA issue, but could be appropriately addressed by the Joint Committee on Energy and Environment.

The Board discussed secondary transmission lines for collection of wind energy. Members realized Kansas has quickly gone from being ahead of the curve to being behind. Mr. Lehman suggested the subcommittee on right-of-way shift focus and concentrate on how to develop the transmission system for developing wind energy. Members discussed several alternatives.

The date of the next meeting was set for December 19, 2008, beginning at 9:00 a.m. In addition, the Board will meet on January 9, 2009. The Board agreed to draft a joint letter to Westar and ITC prior to the December meeting.

The meeting was adjourned at 4:30 p.m.

Respectfully Submitted,

Tim McKee, Secretary

Approved by the Board on:

December 19, 2008